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United States
Department of Defense



Incomplete Contract Files for Southwest Asia Task
Orders on the Warfighter Field Operations Customer
Support Contract

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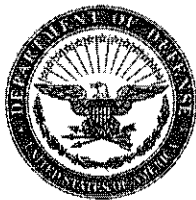
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Acronyms and Abbreviations

FAR	Federal Acquisition Regulation
FOCUS	Field Operations Customer Support
HMMWV	High Mobility Multipurpose Wheeled Vehicle
ITAM	Iraq Training Advisory Mission
MRAP	Mine Resistant Ambush Protected
PARC	Principal Assistant Responsible for Contracting
PCO	Procuring Contracting Officer
PEO STRI	Program Executive Office for Simulation, Training, and Instrumentation
RTSC	Raytheon Technical Services Company
SWA	Southwest Asia



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

June 1, 2011

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Incomplete Contract Files for Southwest Asia Task Orders on the Warfighter Field Operations Customer Support Contract (Report No. D-2011-066)

We are providing this report for your information and use. In June 2007, the Army awarded the Warfighter Field Operations Customer Support contract to Raytheon Technical Services Company, with a total contract ceiling price of approximately \$11.2 billion. Army contracting officials at the Program Executive Office for Simulation, Training, and Instrumentation did not maintain complete contract files containing required documentation to validate contract decisions. We considered comments from the Acting Deputy Assistant Secretary of the Army for Procurement when preparing the final report.

The Acting Deputy Assistant Secretary of the Army for Procurement comments on the draft report conformed to the requirements of DoD Directive 7650.3; therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9201.

A handwritten signature in black ink, reading "Richard B. Jolliffe", is positioned above the printed name.

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management



Results in Brief: Incomplete Contract Files for Southwest Asia Task Orders on the Warfighter Field Operations Customer Support Contract

What We Did

Our audit objective was to determine whether Army officials adhered to Federal and DoD policies for subcontracting in a contingency environment while administering the Warfighter Field Operations Customer Support (FOCUS) contract, valued at approximately \$3.7 billion. This is the first in a series of audits relating to the Warfighter FOCUS contract.

What We Found

Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) contracting officials lacked required documentation, such as prenegotiation objective memoranda and price negotiation memoranda, essential to providing accountability and transparency in the Warfighter FOCUS contract files. PEO STRI contracting officials did not implement internal controls that required procuring contracting officers to maintain a complete history of the contract as a basis for making informed decisions during the acquisition process and did not have internal controls that required centralized and integrated program and contract files. As a result, we were unable to perform an audit on subcontracting related to work in a contingency environment for this contract. Additionally, we were unable to verify that PEO STRI contracting personnel negotiated a reasonable price for approximately \$94.3 million in acquired supplies and services supporting the following three training efforts awarded on task orders 022 and 122 of the Warfighter FOCUS contract:

- High Mobility Multipurpose Wheeled Vehicle New Equipment Training-Afghanistan training effort, task order numbers 022 and 122;
- Mine Resistant Ambush Protected Expedient Armor Program training effort, task order number 022; and
- Iraq Training and Advisory Mission training effort, task order number 022.

What We Recommend

The Principal Assistant Responsible for Contracting (PARC) at PEO STRI should develop and execute written processes and procedures that require PEO STRI contracting personnel to maintain centralized and complete contract files. Additionally, the PARC at PEO STRI should perform a review of all the Warfighter FOCUS contract files to determine whether the files are maintained in accordance with Federal Acquisition Regulation requirements and correct any deficiencies found during the review. Further, the PARC at PEO STRI should review the performance of procuring contracting officers and determine if administrative actions are warranted.

Management Comments and Our Response

The Acting Deputy Assistant Secretary of the Army for Procurement provided comments for each recommendation. The comments provided were responsive; and therefore, no additional comments are required. Please see the recommendations table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation		1, 2, 3, 4

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Introduction

Audit Objective

Our audit objective was to determine whether Army officials translated mission requirements into appropriate contractual instruments and conducted appropriate oversight of the Warfighter Field Operations Customer Support (FOCUS) contract in accordance with Federal and DoD policies. Specifically, our audit objective was to determine whether contracting officials adhered to Federal and DoD policies for subcontracting in a contingency environment while administering the Warfighter FOCUS contract. We announced this audit as the first in a series of audits relating to the Warfighter FOCUS contract. See the Appendix for a discussion of the scope and methodology.

Background

The U.S. Army Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) awarded contract W900KK-07-D-0001, the Warfighter FOCUS contract, on June 6, 2007, to Raytheon Technical Services Company (RTSC), with a total contract ceiling price of approximately \$11.2 billion.

Contract Requirements

The Warfighter FOCUS contract was awarded to provide operations, maintenance, systems integration, and engineering support services to the U.S. Army for the following three types of training:

- Live Training – training involving real people operating real systems;
- Virtual Training – training involving real people operating simulation systems;
and
- Constructive Training – training involving simulated people operating simulated systems.

The Warfighter FOCUS contract required the contractor to provide integrated, life-cycle support; services for training aids, devices, simulators, and simulations; and training support worldwide. Specifically, the contractor was required to organize, coordinate, and control all program activities to ensure compliance with the contract requirements and timely delivery of required products and services. Additionally, the contractor provided engineering, materials, services, equipment, personnel, facilities, testing, technical management, and logistical and clerical support for the training efforts described.

RTSC, as the prime contractor for the Warfighter FOCUS contract, leads a team of more than 120 subcontractors known as the Warrior Training Alliance. RTSC created the Warrior Training Alliance to assist in executing all training efforts issued under the Warfighter FOCUS contract.

Contract Structure

The Warfighter FOCUS contract was structured as an indefinite-delivery, indefinite-quantity contract that included a 6 month phase-in period, 1 base year, and 9 option years.

Contract line items on the Warfighter FOCUS contract were awarded on a firm-fixed price, time and materials, and cost-plus-fixed-fee basis. PEO STRI contracting personnel stated that, as of February 2011, the value of the Warfighter FOCUS contract was approximately \$3.7 billion.

The Warfighter FOCUS contract was awarded with a ceiling of approximately \$11.2 billion; however, only approximately \$1.2 billion of the contract was for specified work. PEO STRI contracting personnel stated that the remaining \$10 billion was for unspecified training efforts to be incorporated into task orders through contract modifications when specific training efforts were identified.

PEO STRI contracting personnel stated that they organized task orders under the Warfighter FOCUS contract by the functional area that included the specific training requirements. The Warfighter FOCUS contract supported the following seven PEO STRI Program Manager Field Operations functional areas:

- Battle Command Training Systems
- Combat Training Centers
- Soldier Non-Systems
- Soldier Systems
- Sustainable Range Program
- Support Mission and
- Contingency Operations Support

Task orders organized under the Contingency Operations Support functional area provided support for training being conducted in Southwest Asia (SWA). Task orders 022, 023, 122, 123, 138, 222, 223, 238, and 242 were awarded to support training efforts in SWA. PEO STRI contracting personnel stated that after task orders were awarded, they would issue over and above work requests¹ to RTSC when new training efforts were identified. RTSC, as the prime contractor, then competed the specific training effort among its subcontractors and awarded a subcontract for the training effort. The training effort was then incorporated into a task order through a contract modification.

Review of Internal Controls at PEO STRI

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses associated with the contract management of the Warfighter FOCUS contract. PEO STRI contracting officials did not have adequate internal controls that required maintaining documentation necessary to validate contract decisions essential to providing accountability and transparency in the Warfighter FOCUS contract files. Specifically, PEO STRI contracting officials did not require procuring contracting officers (PCOs) to

¹ There may be instances when multiple over and above work requests may be issued to support a single training effort on the Warfighter FOCUS contract. We will use the term “training effort” in instead of “over and above work request” throughout this report.

maintain a complete history of the contract as a basis for making informed decisions during the acquisition process and to maintain centralized and integrated program and contract files. We will provide a copy of the report to the senior official responsible for internal controls at PEO STRI and the Department of the Army.

Finding. Contract Files Missing Required Documents

We were unable to perform an audit of subcontracting related to work in a contingency environment for this contract. Additionally, we were unable to verify that PEO STRI contracting personnel negotiated a reasonable price for approximately \$94.3 million in acquired supplies and services supporting three training efforts on task orders 022 and 122. Specifically, we were unable to verify that PEO STRI negotiated reasonable prices for the:

- High Mobility Multipurpose Wheeled Vehicle (HMMWV) New Equipment Training-Afghanistan training effort, valued at approximately \$43.2 million. Contract files did not contain documentation supporting approximately \$41.5 million of training services placed on task orders 022 and 122;
- Mine Resistant Ambush Protected (MRAP) Expedient Armor Program training effort, valued at approximately \$22.7 million. Contract files did not contain documentation supporting approximately \$21.8 million of training services placed on task order 022; and
- Iraq Training and Advisory Mission (ITAM) training effort, valued at approximately \$66.9 million. Contract files did not contain documentation supporting approximately \$31 million worth of training services placed on task order 022.

This occurred because PEO STRI contracting officials lacked required documentation, such as prenegotiation objective memoranda and price negotiation memoranda, essential to providing accountability and transparency in the Warfighter FOCUS contract files. Additionally, PEO STRI contracting officials did not require PCOs to maintain:

- a complete history of the contract as a basis for making informed decisions during the acquisition process, and
- centralized and integrated program and contract files.

As a result, Army officials did not adhere to Federal and DoD policies for subcontracting related work in a contingency environment and may not have received fair and reasonable prices for the Warfighter FOCUS contract. Furthermore, decentralized contract files could be an indication of questionable contract management and oversight of the Warfighter FOCUS contract.

Criteria for Contract Files

Federal Acquisition Regulation (FAR) 1.602-2, “Responsibilities,” states that the contracting officer is responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships.

FAR 4.8, “Government Contract Files,” requires that documentation in contract files be sufficient to constitute a complete history of the contract transactions as a basis for

making informed decisions at each step in the acquisition process, supporting actions taken, and providing information for reviews and investigations.

FAR 15.406-3, “Documenting the Negotiation,” requires the contracting officer to document the principal elements of negotiated agreements in the contract file. The documentation (price negotiation memorandum) includes:

- the most significant factors or considerations on the establishment of prenegotiation objectives and the negotiated agreement,
- the basis for the profit or fee prenegotiation objective and the profit or fee negotiated, and
- documentation of fair and reasonable pricing.

Defense Federal Acquisition Regulation Supplement 204.8, “Contract Files,” requires that official contract files consist of original or authenticated copies of contractual instruments, which contain either a signature of an authorized person or an official seal. In addition, the contract files shall consist of correspondence, memoranda, and other documents.

Contracting File Deficiencies

PEO STRI contracting officials lacked required documentation necessary to validate contract decisions essential to providing accountability and transparency in the Warfighter FOCUS contract files. Additionally, the PCOs did not maintain historically complete and centralized contract files for the Warfighter FOCUS contract. PEO STRI contracting officials did not implement controls that require PCOs to maintain adequate contract files.

Contract Decisions Not Supported by Documentation

PEO STRI contracting officials were unable to provide support for contracting decisions for three training efforts due to the lack of documentation in the contract file. Specifically, we were unable to verify that PEO STRI contracting personnel negotiated a reasonable price for approximately \$94.3 million in supplies and services supporting three training efforts on task orders 022 and 122.

In September 2010, we informed PEO STRI contracting personnel that the contract files did not contain essential documentation for the three Warfighter FOCUS training efforts; including statements of work, proposals, proposal evaluations, and price negotiation memoranda. During a subsequent site visit in October 2010, the same contract files remained materially deficient, and PEO STRI personnel were unable to answer questions pertaining to decisions made during contract administration.

HMMWV Training Effort

PEO STRI contracting personnel awarded the HMMWV new equipment training effort on the Warfighter FOCUS contract in September 2008 on task order 022. PEO STRI contracting personnel exercised an option year for the training effort in September 2009 on task order 122. The HMMWV training effort supported the Combined Security Transition Command – Afghanistan in a new equipment training program for fielding up-armored HMMWV systems to the Afghan National Army. PEO STRI contracting

personnel were unable to provide price negotiation memoranda and prenegotiation objective memoranda supporting approximately \$19.2 million of training services placed on task order 022 and approximately \$22.3 million of training services placed on task order 122.

Additionally, PEO STRI contracting personnel could not provide a subcontractor price proposal for the HMMWV training effort on task order 022 or a proposal evaluation for the HMMWV training effort on task order 122. FAR 15.406-3 requires the contracting officer to document the principal elements of negotiated agreements in the contract file.

MRAP Training Effort

Contracting personnel at PEO STRI awarded the MRAP Expedient Armor Program training effort on the Warfighter FOCUS contract in April 2008 on task order 022. The MRAP Expedient Armor Program training effort was awarded to provide support for the installation of Government-furnished MRAP Expedient Armor Kits on MRAP vehicle systems and to provide new equipment training on the maintenance of the kits in the field. PEO STRI contracting personnel could not provide price negotiation memoranda and prenegotiation objective memoranda supporting approximately \$21.8 million worth of training services placed on contract for the MRAP expedient armor program training effort.

ITAM Training Effort

PEO STRI contracting personnel awarded the ITAM training effort on the Warfighter FOCUS contract in January 2009 on task order 022. Contracting personnel awarded the ITAM training effort to provide training support to Iraq Army units located throughout Iraq, including train-the-trainer services for weapons systems training, firing range support training, and counter-insurgency training. PEO STRI contracting personnel were unable to provide price negotiation memoranda and prenegotiation objective memoranda supporting approximately \$31 million worth of training services placed on contract for the ITAM training effort.

Unavailable Contract Documentation

In November 2010, the PEO STRI Principal Assistant Responsible for Contracting (PARC) confirmed that price negotiation memoranda and prenegotiation objective memoranda were unavailable for the HMMWV, MRAP, and ITAM training efforts. The PARC made the following statement in an attachment to an e-mail regarding the HMMWV training effort:

After an extensive search of “T” drive, SPS [Standard Procurement System], vault contract file, and speaking with the contract specialist, neither a POM [Prenegotiation Objective Memorandum] nor PNM [Post Negotiation Memorandum] can be located.

Without necessary contract documentation, such as prenegotiation memoranda and price negotiation memoranda, it is not possible to perform an audit of subcontracting related to work in a contingency environment for this contract. Consequently, we were unable to verify whether PEO STRI contracting personnel negotiated a reasonable price for approximately \$94.3 million in acquired supplies and services and whether the

Government paid reasonable profits and fees for the HMMWV, MRAP, and ITAM training efforts. Contract officers exercising due diligence should have required that these essential documents were prepared and maintained.

Contract Files Not Centralized

The Warfighter FOCUS contract PCOs did not maintain centralized and integrated program and contract files. The PCOs maintained minimal or no documentation in the contract files for quality assurance and oversight reports for the SWA training efforts. Additionally, PEO STRI program personnel responsible for contract oversight maintained separate contract files containing documents specific to their duties. For example, PEO STRI functional area program personnel maintained electronic copies of quality assurance and oversight reports that could be viewed by PEO STRI contracting personnel; however, the reports were not incorporated into the central contract file. A complete, centralized contract file should contain all program and contracting documentation necessary to support all decisions made during the acquisition process.

PEO STRI contracting personnel could not readily locate basic Warfighter FOCUS contract documentation. The PCO responsible for SWA task orders on the Warfighter FOCUS contract stated that independent Government cost estimates should have existed for training efforts. However, the PCO stated that the audit team would have to obtain the independent Government cost estimate from the functional area program personnel responsible for that specific training effort. Additionally, the PCO stated that if she did not have documents for specific task orders, the audit team would have to obtain the documents from the original contract specialist² for that task order; however, the contract specialist may no longer work for PEO STRI or be assigned to the Warfighter FOCUS contract.

For example, in November 2010, after a new PEO STRI contract specialist was assigned to a new SWA task order, RTSC requested the statement of work for the task order. One of the contract specialists on the Warfighter FOCUS contract responded to RTSC's request by stating:

[Name] is taking over TO [task order] 0242. She's going to love me for this, but I'm going to let her go on the easter egg hunt in our files to find the attachments you're looking [for].

This example further demonstrated the lack of centralized contract files and raised the concern as to whether critical contract documentation could be located at PEO STRI. Furthermore, decentralized contract files could be an indication that contract oversight was not adequate.

Controls Needed

PEO STRI contracting officials did not implement controls that required the PCOs to maintain complete, centralized, and integrated contract files. Controls requiring adequate

² According to PEO STRI contracting personnel, contract specialists are responsible for performing all pricing reviews of training efforts, including a full review of RTSC and subcontractor price proposals.

contract file maintenance are essential for the Warfighter FOCUS contract because of the high turnover of contracting personnel and inexperience of the contracting staff. The Warfighter FOCUS contract had eight PCOs assigned to the SWA task orders since the contract was awarded in June 2007. In addition, PEO STRI contracting personnel stated that PEO STRI employed a large number of interns working as contract specialists that rotated out of the contracting office every 12 months. The high turnover and the inexperience of the contracting staff further exacerbated the need for well-maintained contract files. Inadequate contract files may result in current or future PCOs and contract specialists having insufficient knowledge about training requirements when negotiating option years on current task orders or when awarding future task orders. PEO STRI contracting officials should have implemented effective internal controls that required centralized, uniform contract files for all task orders on the Warfighter FOCUS contract, consequently mitigating the effects of contracting personnel turnover and inexperience.

Conclusion

We were unable to perform a comprehensive audit of subcontracting related to work in a contingency environment for three training efforts on the Warfighter FOCUS contract, valued at approximately \$132.8 million because PEO STRI did not require PCOs to maintain a complete history of the contract and centralized and integrated program and contract files. Complete and detailed documentation is essential to all phases of the acquisition process. FAR 4.801 requires that documentation in contract files be sufficient to constitute a complete history of the contract transactions as a basis for informed decisions at each step in the acquisition process. The contracting officer should ensure that a complete and well-documented contracting file exists for the life of the contract, including pre-award consideration on requirements, acquisition strategy, pre-award pricing, the basic contract, and all the modifications or task orders.

PEO STRI contracting officials had a systemic issue of not maintaining complete and adequate documentation necessary to validate contract decisions for the Warfighter FOCUS contract files. During March 2009, Defense Procurement and Acquisition Policy officials conducted a peer review of the Warfighter FOCUS contract, including a review of several task orders and their supporting documentation.³ The Defense Procurement and Acquisition Policy peer review team found no record of price negotiation memoranda or technical evaluations in the contract file that consistently documented a detailed cost breakout to support a fair and reasonable price determination by the PCOs. In response to the Defense Procurement and Acquisition Policy review, PEO STRI personnel indicated that they had taken steps to improve the contract files. PEO STRI contracting officials should perform a review of all the Warfighter FOCUS contract files to determine whether the contract files sufficiently document the contract history and are maintained in accordance with FAR requirements.

³ The Director, Defense Procurement and Acquisition Policy, issued a memorandum, "Peer Reviews of Contracts for Supplies and Services," September 29, 2008, that stated Defense Procurement and Acquisition Policy personnel will facilitate post-award Peer Reviews for all service contracts with an estimated value of \$1 billion or more (including options). The post-award Peer Reviews focuses on the adequacy of competition, an assessment of actual contract performance, and the adequacy of Government surveillance of contractor performance.

Lack of contract documentation could be an indication of questionable contract management and oversight for the entire Warfighter FOCUS contract. Improvements in contract file administration are imperative for the management and oversight of future task orders for the remaining 7 option years of the Warfighter FOCUS contract. PEO STRI contracting officials need to immediately implement processes and procedures that require program and contracting personnel to maintain centralized contracting files that support all contractual actions taken to provide continuity in future task orders issued on the Warfighter FOCUS contract. Additionally, PEO STRI contracting officers must adequately support and document their decisions on negotiated and reasonable prices. Without the required analyses and supporting documentation, we cannot be certain that the Government obtained fair and reasonable prices for supplies and services procured.

Management Comments on the Finding and Our Response

Acting Deputy Assistant Secretary of the Army for Procurement Comments

The Acting Deputy Assistant Secretary of the Army for Procurement stated that the Defense Contract Audit Agency will perform an incurred cost audit for the Army of the Warfighter FOCUS contract and that the Army is reviewing the contractor's "added value" effort as defined by FAR 52.215-23. Additionally, the Acting Deputy Assistant Secretary of the Army for Procurement responded for the PARC at PEO STRI and acknowledged that there was missing documentation on the Warfighter FOCUS contract for the base year and first option year of the contract. He stated that PEO STRI personnel will review and improve PEO STRI contracting policies and procedures to maintain compliance with regulations. In addition, he explained that the base year of the Warfighter FOCUS contract was impacted by a shortage of properly trained contracting personnel and the transitioning of the Warfighter FOCUS contract from the Navy's contracting authority to the Army. The Acting Deputy Assistant Secretary of the Army for Procurement explained that the transition to the Army resulted in the need to integrate Army and PEO STRI contracting policies and procedures to the Warfighter FOCUS contract. He also stated that although the workforce of PEO STRI increased since 2007, more than 30 percent of contracting personnel are interns. The Acting Deputy Assistant Secretary of the Army for Procurement added that PEO STRI's workload has increased 150 percent since 2007.

Our Response

We appreciate the comments on the Finding from the Acting Deputy Assistant Secretary of the Army for Procurement. PEO STRI needs to be especially vigilant in improving contract files since our audit continued to find the same issues found by the Defense Procurement and Acquisition Policy peer review.

Recommendations, Management Comments, and Our Response

We recommend that the Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation:

1. Develop and execute written processes and procedures that require the Program Executive Office for Simulation, Training, and Instrumentation contracting personnel to maintain centralized and complete contracting files that include detailed program and contract documentation essential to all phases of the acquisition process.

Acting Deputy Assistant Secretary of the Army for Procurement Comments

The Acting Deputy Assistant Secretary of the Army for Procurement responded for the PARC at PEO STRI and agreed with our recommendation. He stated that PEO STRI Contract Instruction 012, "Contract File Management," provided guidance for establishing, distributing, and maintaining contract files. He also explained that as a result of the DoD IG audit, PEO STRI personnel will revisit Contract Instruction 012, as well as other contract instructions, to ensure compliance with current regulations. The Acting Deputy Assistant Secretary of the Army for Procurement added that contract files are located on a PEO STRI web-accessed server that contains electronic copies of contract modifications, as well as quality assurance and oversight reports. He stated that PEO STRI implemented a locator system in May 2010 for contract files so contracting personnel could promptly locate files.

Our Response

The comments from the Acting Deputy Assistant Secretary of the Army for Procurement are responsive, and no further comments are required.

2. Perform a review of all the Warfighter Field Operations Customer Support contract files to determine whether the contract files sufficiently document the contract history and are maintained in accordance with Federal Acquisition Regulation requirements.

Acting Deputy Assistant Secretary of the Army for Procurement Comments

The Acting Deputy Assistant Secretary of the Army for Procurement responded for the PARC at PEO STRI. He agreed and stated that, beginning in the third quarter of FY 2011, PEO STRI personnel will conduct internal quarterly self-assessment reviews that will include a review of all Warfighter FOCUS contract files. He also stated that these quarterly reviews will continue until a complete review of the contract files has been conducted, no later than FY 2012.

Our Response

The comments from the Acting Deputy Assistant Secretary of the Army for Procurement are responsive, and no further comments are required.

3. Correct any contract file deficiencies identified during the review.

Acting Deputy Assistant Secretary of the Army for Procurement Comments

The Acting Deputy Assistant Secretary of the Army for Procurement responded for the PARC at PEO STRI. He agreed and stated that, during the quarterly self-assessment reviews, PEO STRI personnel will correct the contract file deficiencies that they identify. He also stated that because Defense Federal Acquisition Regulation Supplement 204.802 does not allow for the re-creation of official records, a memorandum for the record will be added to each contract file in order to document the contract file's deficiency.

Our Response

The comments from the Acting Deputy Assistant Secretary of the Army for Procurement are responsive, and no further comments are required.

4. Review the performance of the procuring contracting officers and determine whether administration actions are warranted, in light of the substantially incomplete contract files.

Acting Deputy Assistant Secretary of the Army for Procurement Comments

The Acting Deputy Assistant Secretary of the Army for Procurement responded for the PARC at PEO STRI. He agreed and stated that, during the quarterly self-assessment reviews, PEO STRI personnel will review the performance of individual Warfighter FOCUS PCOs. He explained that if appropriate, administrative actions will be taken on the contracting officers who awarded the task orders.

Our Response

The comments from the Acting Deputy Assistant Secretary of the Army for Procurement are responsive, and no further comments are required.

Appendix. Scope and Methodology

We conducted this performance audit from August 2010 through March 2011 in accordance with generally accepted government auditing standards. Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

This audit contained scope limitations that impacted the results of the audit. The contracting files for three of the four training efforts that we planned to review were materially incomplete and did not illustrate a complete history of the contract as a basis for making informed decisions during the acquisition process. We met with the PEO STRI PARC, the PEO STRI Associate Director for Contracting Operations, PEO STRI PCOs, and other contracting and program officials at PEO STRI and determined that the missing contract file documentation could not be located.

This is the first in a series of audits on the Warfighter FOCUS contract. We gathered available Warfighter FOCUS contract documentation covering the period of June 2007 through September 2010. We focused our review to determine whether contracting officials adhered to Federal and DoD policies for subcontracting related to work in a contingency environment. We reviewed FAR and Defense Federal Acquisition Regulation Supplement criteria in our review of the Warfighter FOCUS contract. Additionally, we conducted site visits and interviewed personnel at the following locations:

- Assistant Secretary of the Army, Acquisition, Logistics, and Technology, Arlington, Virginia;
- Program Executive Office for Simulation, Training, and Instrumentation, Orlando, Florida;
- Raytheon Technical Services Company, Orlando, Florida;
- Defense Contract Audit Agency, Dulles, Virginia; and
- Defense Contract Management Agency, Dulles, Virginia.

We reviewed the Warfighter FOCUS basic contract and nine tasks orders covering training performed in SWA from June 2007 through September 2010 to identify potential training efforts to include in our review. We used a non-statistical sample that focused our review on high-dollar value training efforts where work was being performed in SWA contingency environments in order to provide high-dollar impact to the Department and to align with the DoD IG's mission in SWA. We then reviewed the contract and subcontract files for the following training efforts:

- HMMWV New Equipment Training – Afghanistan training effort, valued at approximately \$47.6 million;
- MRAP Expedient Armor Program training effort, valued at approximately \$22.7 million;

- ITAM training effort, valued at approximately \$66.9 million; and
- Afghanistan Counter Improvised Explosive Device/Explosive Ordnance Disposal training effort, valued at approximately \$54 million.

Use of Computer-Processed Data

We relied on computer-processed data from the Electronic Document Access Web site. Electronic Document Access is a web-based system that provides secure online access, storage, and retrieval of contracts and contract modifications to authorized users throughout the Department of Defense. We used documents retrieved from Electronic Document Access to review the Warfighter FOCUS basic contract and task orders to identify potential training efforts to include in our review. As a result of our analysis, we are confident that the Electronic Document Access Web site was sufficiently reliable for the purpose of identifying potential Warfighter FOCUS training efforts to include in our review.

Prior Coverage

No prior coverage has been conducted on the Warfighter FOCUS contract during the last 5 years.

Assistant Secretary of the Army for Procurement Comments



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON, DC 20310-0103

29 APR 2011

SAAL-PP

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
(JACQUELINE L. WICECARVER), 400 ARMY NAVY DRIVE, ARLINGTON, VA
22202-4704

SUBJECT: Department of Defense Office of Inspector General (DODIG) Draft Report,
*Incomplete Contract Files for Southwest Asia Task Orders on the Warfighter Field
Operations Customer Support Contract (Project Number D2010-D000AS-0266.000),
dated 29 March 2011*

1. This memorandum responds to the subject draft report issued on 29 March 2011.
The Army concurs with all of the recommendations contained in the draft report and is
taking corrective action. Specific comments regarding each DODIG recommendation
are contained in the Enclosure.

2. Currently, the Army has a number of major initiatives underway regarding the
Warfighter Operations Customer Support Contract. The Army is having the Defense
Contract Audit Agency conduct an incurred cost audit. In addition, the Army is
reviewing the costs incurred by Raytheon for "added value" effort as defined in Federal
Acquisition Regulation Clause 52.215-23, entitled Limitations on Pass-Through
Charges.

Encl


Lee Thompson
Acting Deputy Assistant Secretary
of the Army for Procurement



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
PROGRAM EXECUTIVE OFFICE
SIMULATION, TRAINING AND INSTRUMENTATION
12350 RESEARCH PARKWAY
ORLANDO, FLORIDA 32826-3276

SFAE-STRI-PEO

15 April 2011

MEMORANDUM THRU Assistant Secretary of the Army for Acquisition, Logistics and Technology

FOR Inspector General, Department of Defense (Jacqueline L. Wicecarver), 400 Army Navy Drive, Arlington, Virginia 22202-4704

SUBJECT: Program Executive Office Simulation, Training and Instrumentation (PEO STRI) Response to Department of Defense Office of Inspector General (DoDIG) Draft Report, *Incomplete Contract Files for Southwest Asia Task Orders on the Warfighter Field Operations Customer Support Contract (Project No. D2010-D000AS-0266.000)*, March 29, 2011

1. Reference Draft Report, DOD Inspector General, 29 March 11, Subject: *Incomplete Contract Files for Southwest Asia Task Orders on the Warfighter Field Operations Customer Support Contract (Project No. D2010-D000AS-0266.000)*.

2. The responses to the recommendations identified within the referenced report are enclosed.

3. The PEO STRI point of contact is [REDACTED]

Encl


JAMES T. BLAKE
Head of Contracting Activity



SFAE-STRI-K

REPLY TO
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SIMULATION, TRAINING AND INSTRUMENTATION
12350 RESEARCH PARKWAY
ORLANDO, FLORIDA 32826-3276

15 April 2011

MEMORANDUM FOR Inspector General, Department of Defense (Jacqueline L. Wicecarver),
400 Army Navy Drive, Arlington, VA 22202-4704

SUBJECT: Response to Department of Defense Office of Inspector General (DoDIG) Draft Report, *Incomplete Contract Files for Southwest Asia Task Orders on the Warfighter Field Operations Customer Support Contract (Project No. D2010-D000AS-0266.000)*, dated 29 March 2011

1. This memorandum responds to the subject draft report issued on 29 March 2011. The DoDIG required the PEO STRI Principal Assistant Responsible for Contracting (PARC) to provide comments that state whether we agree or disagree with the report's findings and recommendations. We have considered the findings and recommendations and provide the following comments and planned actions.

Finding: Contract Files Missing Required Documents.

PEO STRI Response: PEO STRI acknowledges that there is missing documentation on the Warfighter Focus (WFF) contract, specifically in the 2008 and early 2009 timeframes (Base Year 0 and Option LOT 1). As recommended by the DOD IG, PEO STRI will review and improve on our policies and operational procedures and ensure we maintain compliance with regulatory and statutory requirements.

During the initial in-briefing PEO STRI acknowledged that the base year of the WFF contract had been impacted by the world-wide shortage of trained 1102s and by transitioning WFF from the Navy's contracting authority to the Army's. The WFF contract was awarded under the Navy's contracting authority and then transferred to PEO STRI in 2007. PEO STRI received Army contracting authority in 2006. The contracting authority transition impacted many areas of our day-to-day contract operations to include, but not limited to, policy and procedures, facilities, personnel and general administrative changes. Most noteworthy was our need to implement Army, as well as local contracting policies and procedures, through the issuance of formal Contracting and Acquisition Instructions and to establish a PEO STRI Acquisition Center Contract File Vault/ Room.

PEO STRI has expanded and fully staffed our centralized contract file room for filing and storing all contract files. Also, as part of our continuing efforts to enhance our organization's performance, we have established several functional enablers within our Acquisition Center with dedicated personnel to assist, educate, and guide the workforce in accomplishing our mission. While our workforce has significantly increased since 2007, approximately 30% of our

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contracting workforce remains interns, and we have seen more than a 150% increase in our contract workload. Throughout these challenging times, we have never failed in our primary mission to support the Warfighter.

DoDIG Recommendation #1: *Develop and execute written processes and procedures that require the Program Executive Office for Simulation, Training, and Instrumentation contracting personnel to maintain centralized and complete contracting files that include detailed program and contract documentation essential to all phases of the acquisition process.*

PEO STRI Response: Concur. PEO STRI Contract Instruction (CI) 012, Contract File Management, provides guidance for establishing, distributing and maintaining contract files. However, as a result of the audit, we are revisiting this specific CI, as well as others, to ensure we are in full compliance with current regulatory and statutory guidance.

PEO STRI contracting officials have implemented numerous controls in compliance with FAR 4.802. PEO STRI contract files are maintained in a centralized contract file room. In addition, WFF contract files are also located on a PEO STRI web-accessed server whereby electronic copies of contract modifications, quality assurance and oversight reports can be accessed. After the exercise of WFF LOT II (01 May 2010), a locator system was established to ensure the workforce has the ability to promptly locate any contract files.

DoDIG Recommendation #2: *Perform a review of all the Warfighter Field Operations Customer Support contract files to determine whether the contract files sufficiently document the contract history and are maintained in accordance with Federal Acquisition Regulation requirements.*

PEO STRI Response: Concur. Effective immediately PEO STRI will incorporate a specific instruction within our internal quarterly Self Assessment Review (SAR), in accordance with AFARS Appendix BB, that directs a review of all WFF contract files during each assessment until a 100% review has been completed, NLT FY12. The 3rd quarter 2011 SAR will be the first review impacted.

DoDIG Recommendation #3: *Correct any contract file deficiencies identified during the review.*

PEO STRI Response: Concur. PEO STRI will correct the contract file deficiencies identified during the review. Where DFARS 204.802 restricts the recreation of official records, a

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Memorandum for Record will be included in each contract file to annotate and formally document the audit's identified contract file deficiency.

DoDIG Recommendation #4: *Review the performance of the procuring contracting officers and determine whether administrative actions are warranted, in light of the substantially incomplete contract files.*

PEO STRI Response: Concur. Concurrent with the internal quarterly Self Assessment Reviews that will be performed on 100% of the WFF files, PEO STRI will review the performance of the individual WFF PCOs. Administrative actions on the contracting officers who awarded the task orders will be taken, if appropriate.

2. Questions regarding this memorandum should be directed to [REDACTED]


JOSEPH A. GIUNTA, JR.
Principal Assistant Responsible
for Contracting



Inspector General Department of Defense